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THE EVOLUTION OF MERCANTILE BUSINESS.

Address of HON. JOHN WANAMAKER, Philadelphia.

My topic is one car of the long train made up by the general subject of the afternoon—"Combination of Capital as a Factor of Industrial Progress." This annual congress forms a kind of sounding-board for live questions for the entire country, and because of this I wish to contribute what I can to the general stock of information.

Evolution is that series of steps through which anything has passed in acquiring its present characteristics. The term "mercantile" covers everything relating to trade and commerce. It was from a business point of view that this city, in which the American Academy of Political and Social Science to-day raises its sounding-board of live questions for the whole country, united some years ago its dozen or more separate districts and townships into one compact municipality, making possible an improved and economical city government.

Long since the slow movements of transportation by canal gave way to quick railroading. Naturally it was only a question of time for the sailing ship and slow freighter to be superseded upon the ocean by the fast steamship to expedite commercial transactions. The exigencies of changing markets, the factors of time, fashions, seasons, the value of capital locked up, compelled the initiation of the order of progression still going on throughout the mercantile world.

The first notable change in the conduct of commercial affairs was the partial withdrawal of agencies, commission houses and jobbing houses from Boston, New York and Philadelphia, and the establishment of offices and warehouses in the Western cities in the interest of lower freight rates and saving of time and expense to buyers coming from the West to the East.

As late as forty years ago, or before the war, the transaction of business in producing and distributing merchandise required many agencies: the manufacturer, importer, commission men, bankers, jobbers, commercial travelers, and retailers.

Until twenty years ago trade rules limited the sales of manufacturers to commission men, and those of commission houses to jobbers, so that the only market door open to retailers was the jobbers, whose goods were loaded, when they reached the retailer, with three or four unavoidable profits incident to passing the various fixed stages toward the consumer.

The conditions governing the placing of goods in the retailer's hands were not only heavily weighted with expense, but, in the main, the retail merchant was badly handicapped as a rule by

- (a) Small capital, commonly borrowed by long credit for merchandise.
- (b) Necessity of selling upon credit.
- (c) Necessity for larger percentage of profit.
- (d) Impossibility of utilizing to advantage store and people all seasons of the year.
- (e) Non-accumulation of capital.

The consequence was, according to accepted statistics, that but four out of every hundred merchants succeeded in business. Getting a mere living forty years ago was generally secured in part by the occupancy of a part of the store premises as a residence. Naturally, an undercurrent of discontent with these conditions manifested itself, protesting against two or more prices for the same article, meagre assortments of goods, high prices and the custom that probably grew out of one rate to cash buyers and a different rate to buyers upon credit.

The Centennial Exposition of 1876 was, in my judgment, the moving cause of a departure toward general business by single ownership. The rising tide of popular desire to

assemble under one roof articles used in every home and with freedom to purchase was a constant suggestion in 1876, not alone because of its convenience, but because to some degree it would form a permanent and useful exhibition. This idea culminated in the formation of a Permanent Exhibition Company, which succeeded the Centennial. Being located in Fairmount Park and not in a business centre, and without skilled management, the scheme was abandoned in a short time.

Up to 1877, so far as now known, no extensive, well-systemized mercantile retail establishment upon a large scale existed in the United States. The nearest approach was the A. T. Stewart store in New York, which limited itself to dry goods of the higher class, until the death of Mr. A. T. Stewart, when it took on lower classes of goods, and a wider, but still limited scope.

That Centennial Exhibition in 1876 at Philadelphia, the principal manufacturing centre of the country, the first great exhibition in America, opened a new vision to the people of the United States. It was the cornerstone upon which manufacturers everywhere rebuilt their businesses to new fabrics, new fashions and more courageous undertakings by reason of the lessons taught them from the exhibits of the nations of the world. The continuing outgrowth of that exhibition has revolutionized the methods of almost every class of mercantile business in the United States.

The tendency of the age toward simplification of business systems and to remove unnecessary duplication of expenses, awakened throughout the United States a keen study of means to bring about a closer alliance with the producer and consumer. Almost simultaneously in a number of cities, long-established stores gradually enlarged and new stores sprang up to group at one point masses of merchandise in more or less variety. The movement everywhere arrested attention and provoked discussion because of the approval and practical support of the people at large.

Though there probably was never a time in any city that there were not bankruptcies of merchants and vacant stores, yet after the opening of the large stores, it everywhere became common with storekeepers and renters to charge all the causes of disaster to the large stores, then and now commonly called department stores, and an unsuccessful effort was made to decry them as monopolies.

For the time being, and even now, to some extent, prejudice and perhaps unconscious selfishness blinds a part of every community upon public questions. The inequality of talents and the unequal application of individuals must always carry some to the top and others to the lower places in all pursuits of life. The highest statesmanship thus far known has not been able anywhere in the world to maintain a permanent equilibrium for the slow, slovenly and misplaced workers with the thrifty, well-trained and properly fitted toilers, and criticism begins whenever and wherever one man and his family gathers a business that outgrows their own hands.

Whoever conquers a higher place than his neighbor is supposed to face a commanding position, that at least makes his business way more difficult with his fellow tradesmen. Doubtless there must be some disadvantages arising from large single businesses of every kind. The growth of our splendid free libraries will to a certain extent curtail the sale of books and affect other established libraries; the ever enlarging and wonderful facilities and inexpensiveness of the universities and colleges of learning will interfere to some degree with many private academies and schools. The trust companies that undertook insurance of real estate and titles and conveyancing, and who became banks of deposits, interfered with the lawyers and bankers. The trolley affected the business of the horse dealer. The large stores certainly affect a certain part of the small stores. Neither well-dressed ignorance nor well-satisfied storekeeping ownership can argue down that fact.

In the olden times when any city was smaller the advent of even one more small store affected every other store in the block in which it located, mayhap in the entire city. The thing to be considered, and considered fairly from every point of view, is what the large single ownership businesses contribute to the well-being of the public to counterbalance any disadvantages arising from them.

First of all it must be remembered that society is not constituted for the benefit of any one particular class of the population. Economic questions cannot be voted on by any 10 per cent of the people; the other 90 per cent must have their say. Without sentiment or prejudice, the interests of all must be justly weighed and the greatest good of the greatest number must be gained.

I respectfully submit that the evolution in mercantile business during the last quarter of a century has been wrought not by combinations of capital, corporations or trusts, but by the natural growth of individual mercantile enterprises born of new conditions out of the experience, mistakes and losses of old-time trading; that the underlying basis of the new order of business and its principal claim for favor is that it distributes to the consumer in substance or cash compounded earnings hitherto wasted unnecessarily on middlemen; that thus far the enlarged retailing has practically superseded agents, commission houses, importers and large and small jobbers, thereby saving rentals, salaries and various expenses of handling; that the establishing of direct relations with mills and makers proves to be not only desirable for the saving of such costs as are dispensed with, but because less risks are incurred in preparing products and finding quick markets, thereby favoring lower prices; that the people must be taken into the equation when considering the right of certain businesses to a title of life, as they are responsible for the new conditions, highly value and heartily support them.

It is an old axiom that the water of a stream cannot rise

beyond its level. Neither can any business rise or thrive except at the will of the people who are served by it.

I contend that the department store development would not be here but for its service to society; that it has done a public service in retiring middlemen; that its organization neither denies rights to others nor claims privileges of state franchises, or favoritism of national tariff laws; that if there is any suffering from it it is by the pressure of competition, and not from the pressure of monopoly; that so long as competition is not suppressed by law, monopolies cannot exist in storekeeping, and that the one quarter of the globe that cannot be captured by trusts is most assuredly that of the mercantile trading world.

I hold that the evolution in trade was inevitable, because it was water-logged by old customs that overtaxed purchasers; that there was at work for a long time a resistless force moving towards the highest good of humanity; that the profit therefrom to individuals who have risked their own capital, as any man may still do if he chooses, has been insignificant, compared to the people benefited both by the cheapening of the comforts of life and by the improved condition of persons employed.

Philadelphia is believed to be a buying centre for 3,000,000 people. If each of them in a year's purchase of personal needs and home necessities saves on an average ten cents a day, the saving is \$10,095,000 in a year. Suppose it be but half that amount, there is still five millions to the good of the people to be put into their savings or their pleasures.

I may be asked how such a statement can be certified to. I reply, I am not offering this information as a statement of fact, because no statement can be made upon accurate statistics of the amount of merchandise purchased each year for individual consumption. I submit this as a fair estimate from an experience of twenty-five years and more of careful study, because I desire to be a witness for the truth, that it

may be used for what it is worth in discussing economic and social questions.

I can, however, be more specific in pointing out the effect of modern retailing upon prices:

First.—Prices realized by the producer. As he sells in large lots to single firms, whose outlet he becomes familiar with as to quantities and qualities, the producer is able to count more surely upon steady employment of his work-people, and having but one risk instead of many, and smaller expenses in handling goods, can without sacrifice of his own profit, materially reduce the price of goods.

Second.—Prices paid by the consumer. The reductions of the producer, plus the lessened costs of concentrated distribution by the retailer, are turned over to the consumer. Further, the variety of goods upon sale by the large retail house, unlike the exclusive merchant having only a two-season business and sometimes only one at the holidays, does not require profits from two or three months' sales to bear the year's rent, insurance and clerical force. An all-year-round business, bringing a steady current of buyers, is the essential thing to use buildings and clerks to advantage and warrant small profits.

It is an easily proven fact that the operation of the American retail system has reduced the prices of many classes of goods one-half in twenty years. But for the length of this paper I would add items in books, bicycles, furniture, woolen dress goods, clothing, housefurnishing goods and china. There are other causes of reductions operating in some instances, but a prominent cause is the bettered condition of retailing.

There are some who claim that the reduced cost of quinine was the removal of the tariff, but the fact is the Britons appointed a commission to learn the causes of its scarcity, and who, to reduce its price, sought the proper soil for the growing of abundance of trees, and thus increased the supply and lowered the price.

The evolution in American trading has planted trees that have borne good fruit for the people.

General Grant, in proposing the health of Sir William Armstrong at a dinner, laid his hand upon a hundred-ton gun and said the inventor of it had produced the most powerful peace-compelling implement the world had ever seen.

I believe the new American system of storekeeping is the most powerful factor yet discovered to compel minimum prices. Perhaps some one will ask what relation reduced prices of merchandise have upon labor. It is a noticeable fact that lowered prices stimulate consumption and require additional labor in producing, transporting and distributing. The care of such large stocks, amounting in one single store upon an average at all times to between four and five millions of dollars, and the preparation of and handling from reserves to forward stocks, require large corps of men. Under old conditions of storekeeping a man and his wife or daughter did all the work between daylight and midnight. The new systems make shorter hours of duty and thus the number of employes is increased, while many entirely new avenues of employment for women are opened, as typewriters, stenographers, cashiers, check-clerks, inspectors, wrappers, mailing clerks and the like. The division of labor creates many places for talented and high-priced men, whose salaries range alongside of presidents of banks and trust companies and similar important positions. It is universally admitted that the sanitary conditions that surround the employes of the large stores are better than in the old-time smaller stores and that employes are considerably better paid.

Inventions and new processes do not destroy employment any more than the sewing machine or typewriter or Mergenthaler typesetting machine has done so. I grant that in these and many similar cases the lines of employment have changed, but the newspaper adds thousands to its circulation by being ready hours sooner for mails to carry it to distant points, and the sewing machine and typewriter

machine have, like the uses of electricity, telephone, etc., created work and employment that did not previously exist.

Taking the number of employes in the old-time smaller store at an average of five, it would require, when the full complement of employes are on the pay-roll of a representative large store, as many as 1,200 stores to furnish as much employment, while the total payments of salaries would be very much higher in the large store than under the small store system.

Some of the large stores are commercial universities, where the young people are in classes in the evenings under competent teachers, and engaged upon the practical work of the store during certain hours of the day. A part of the new business is the Mutual Benefit Association, which is managed wholly by a board of representative employes, through which, in cases of sickness, accident and death, benefits have been given from 1882 to 1899 amounting to two hundred and forty-six thousand two hundred and thirty-nine dollars and twenty-seven cents (\$246,239.27), nearly a quarter of a million of dollars.

In addition to the usual salaries fully up to and believed to be above the level of salaries usually paid, one mercantile firm is known to have paid to its employes by various schemes of co-operation the sum of six hundred and ninety-seven thousand four hundred and twenty-eight dollars and twenty-three cents (\$697,428.23), nearly three-quarters of a million of dollars—during a period of 1888 to December 31, 1899.

What is the effect of the modern retail store upon competition? Are its tendencies monopolistic in the control of merchandise or of trade? I counted yesterday the number of mercantile licenses of dealers, places and stores in Philadelphia in the year 1870. There were 16,560. To-day I obtained the number of notices of mercantile licenses thus far sent out in Philadelphia representing the stores and

places of business, and the figures given me are a minimum of 34,000, with an additional number yet to be issued.

The population in 1870 was 674,022, twenty years later it was 1,046,964, and is now variously estimated at from 1,250,000 to 1,300,000. The number of stores in 1870 (16,560) to the population of that date was 245 for every 10,000, while at the maximum estimate for 1900 the number of stores is 267 for every 10,000 persons. The increase in the number of business dealers has more than kept pace with the growth of the population.

Very few, possibly not more than 5 per cent of the retail stores of the United States are incorporated. They are as a rule under private individual ownership, and their business enterprise represents capacity and capital coupled with executive ability. It is not always the result of generalship; oftener it is, that it is "dogged that does it." Of such incorporated stores there are in this city twelve that did not exist in 1870 upon their present plan which furnish employment, by careful and, I believe, accurate estimate of 15,270 persons, a number almost equal to all the stores existing in 1870.

Extensive retailing in this country is the product of competition in buying and selling for there does not exist in retail business any known combination for the control of unpatented and unpatentable merchandise, nor for the fixing of prices in the interests either of merchants or manufacturers. The entire practical influence of the modern department store is powerfully against monopoly in any branch of manufacturing or selling. Retail merchants, in common with the public, may be at times for brief periods subject to combinations of makers of goods to control prices and create profits, but they are not, and never have been, parties to such measures, at least so far as publicly known.

If all the storekeepers of any one city were to combine, such a combination would not stand twelve months because of the power of manufacturers to become retailers, and

further, such a city of combinations would be overwhelmed with independent storekeepers from every other city, who would very properly expect and command the support of the people.

Public service is the sole basic condition of retail business growth. To give the best merchandise at the least cost is the modern retailer's ambition. He cannot control costs of production, but he can modify costs of distribution and his own profits. His principle is the minimum of profit for the creation of the maximum of business. The keen rivalry of retail trading is inimical to a combination between different and competing firms and companies. Such a combination would advance prices and diminish consumption and increase cost of production. The vast varieties of merchandise required by the modern retail store make combinations for the control of articles in process of, and possible of manufacture in every part of the world practically impossible. It is possible for retail merchants in several localities to combine purchases for the sake of economy, but such co-operation differs widely from the organizations commonly known as trusts. Neither would it affect retail prices save to reduce them.

Any control of the retail trade attainable rests entirely upon superior service and lesser prices, and must always be an unknown, or at least a changing quantity. It can never be vested permanently as a possession in any single hands, nor in any group of organizations. Popularity, founded upon distinct actual worthiness, is its only power to command. Success in some branches of mercantile life has its intense individuality, and is a matter of intense personality, much the same as in the journalistic and other learned professions. Only when personal ability and character can be translated into a franchise, can a retail business become a valuable entity. Until then merchandise, real estate and plant, such items as have commercial value, are its only assets.

I fully agree with the President of the United States in his last message, where he says:

"It is universally conceded that combinations which engross or control the market of any particular kind of merchandise or commodity necessary to the general community, by suppressing natural and ordinary competition, whereby prices are unduly enhanced to the general consumer, are obnoxious not only to the common law, but also to the public welfare."

The evolution in business which I have endeavored to discuss has not sought nor has it the power to limit production or stifle competition or raise prices. On the contrary, its chief objectors are those who claim that it makes prices too low. It affects articles of supply of every home and of so many thousands of kinds and ever changing character that no other restriction can obtain than the natural demand. The fact that it deals with distribution and affords intelligent and economic treatment of merchandise increases employment.

It has demonstrated advantages to the public hitherto not common, if at all possible, to former systems. In increasing values of real estate, wherever large businesses are located, smaller stores crowd around them, in some instances changing the values of an entire neighborhood. Statistics prove that it does not anywhere crowd out competent and useful merchants. It saves a multiplication of agencies to the benefit of the consumer in reduced prices.

It introduces into mercantile business a measurably good civil service and provides a systematic commercial education for beginners in business in many business places. It elevates the position of employes, the large number of persons required, affords self-respecting assistance to employes in misfortune, and for the losses arising from sickness and death. It offers opportunity to educated business people of advancement and earning power not possible otherwise.

Its system of prices, guarantees and return of goods for

refund, not as a favor but as a condition of the contract of sale, is a boon to the ignorant and hasty buyer and to the public generally, not known until introduced by the new order of business.

The alteration in business conditions in the last quarter of the century has not only removed oppressive burdens resting on the public and added to the safety of investments in manufacturing, but it must surely reduce the number of wrecks along the shores of mercantile life.

The elevation of the standards of trade and business transactions must raise the level of the mercantile calling. There will come again a new race of merchants like Amos Lawrence, of Boston; William E. Dodge, of New York; Samuel Budgett, the Morleys, father and sons, the Copestakes and George Moore, of London; William Ewart, of Belfast, and Madame Boucicaut, of Paris.

It rests with the people to commend and command what serves them best. It is only when the fuel ceases that the fires of good government or good business methods burn out. If the public chooses to permit unwarranted taxation or restrictions upon private business enterprise, large or small, that cheapens whatever enters into the daily wants of every home, it only adds to the expense of living. Whatever the fixed charges of business are, whether they come from wastefulness or ignorance of merchant or legislator, it is the consumer who in the last analysis foots the bill. The keys of every public question are in the hands of the people, and it is the people alone who, by neglect and discouragement, slow up and stop the wheels of progress.